

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 695 - SB 1227

March 18, 2009

SUMMARY OF BILL: Requires the Tennessee Consolidated Retirement System (TCRS) to identify all scrutinized companies involved in scrutinized business activities with the Government of Iran in which the TCRS has direct or indirect holdings, to develop and maintain scrutinized companies lists, to notify such companies in writing, and in certain specified cases, to cease and/or divest investment in such companies. Requires specific periodic reporting to the General Assembly.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$138,000/One-Time
\$59,600/Recurring**

**Increase Federal Expenditures - \$20,500/One-Time
\$10,600/Recurring**

**Increase Local Expenditures - \$91,500/One-Time*
\$68,800/Recurring***

Assumptions:

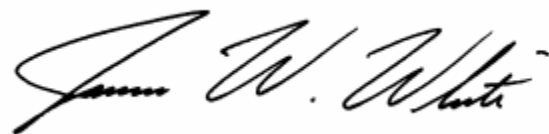
- “Scrutinized business activities” means business activities that have resulted in a company becoming a scrutinized company.
- “Scrutinized company” means any company that has, with actual knowledge, on or after August 5, 1996, made an investment of \$20,000,000 or more in Iran’s petroleum sector which directly or significantly contributes to the enhancement of Iran’s ability to develop the petroleum resources of Iran.
- One additional position in the State Treasurer’s Office to implement and perform the ongoing provisions of the bill. Such recurring costs are estimated to be \$109,000 per year (\$70,000 salary; \$24,500 benefits, \$14,500 other).
- The recurring increase for annual computer enhancements, software upgrades, and software licensing renewals is estimated to be \$30,000 per year.

- The total increase of recurring expenditures is estimated to be \$139,000 per year (\$109,000 for one position + \$30,000 for computer upgrades and renewals = \$139,000).
- Based on information provided by the Department of Treasury, these recurring expenditures would be apportioned approximately 42.9 percent to the state; 7.6 percent to federal government; and 49.5 percent to local government. This will be done because a large percentage of assets held in the Tennessee Consolidated Retirement System (TCRS) are held for the benefit of employees of local education agencies.
- Pursuant to the Public Acts of 2008, Public Chapter 934, the Department of the Treasury developed a list of international equities with an Iranian involvement. The cumulative value of the identified equities is estimated to be approximately \$127,000,000. The one-time cost to divest these securities is estimated to be \$250,000 (equivalent to slightly less than 20 basis points).
- Based on information provided by the Department of Treasury, the one-time divestment costs associated with this bill would be apportioned approximately 55.2 percent to the state; 8.2 percent to federal government; and 36.6 percent to local government.
- The one-time increase to state expenditures is estimated to be \$138,000 ($\$250,000 \times 55.2\% = \$138,000$).
- The one-time increase to federal expenditures is estimated to be \$20,500 ($\$250,000 \times 8.2\% = \$20,500$).
- The one-time increase to local government expenditures is estimated to be \$91,500 ($\$250,000 \times 36.6\% = \$91,500$).
- The increase to recurring state expenditures is estimated to be \$59,600 per year ($\$139,000 \times 42.9\% = \$59,631$).
- The increase to recurring federal expenditures is estimated to be \$10,600 per year ($\$139,000 \times 7.6\% = \$10,564$).
- The increase to recurring local government expenditures is estimated to be \$68,800 per year ($\$139,000 \times 49.5\% = \$68,805$).

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc